January 14, 2003

Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Dear Ms. Dortch:

RE: Ex Parte Notice. CC Docket No. 01-338, CC Docket No 96-98, CC Docket No 98-147. In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers; Implementation of the Local Competition Provisions of the Telecommunications Act of 1996; Deployment of Wireline Services Offering Advanced Telecommunications Capability.

On January 13, 2003, Morton Bahr, President, Communications Workers of America (CWA) sent the attached Fact Sheet entitled "Unbundling Policies Discourage Investment and Facilitate Job Loss in the Telecommunications Industry" to Commissioners Jonathan Adelstein, Michael Copps, Kathleen Abernathy, and Kevin Martin.

The Fact Sheet reports the loss of more than 32,000 CWA-represented occupational jobs at the four Bell Companies in 2002, representing 12 percent of the occupational workforce. (This figure does not include job loss of IBEW-represented occupational employees nor management employees.) The Fact Sheet also report $14.8 billion reduction in capital expenditures by the Bell Companies as of third quarter 2002 compared to the same period last year.

The Fact Sheet notes that current unbundling policies discourage network investment and facilities-based competition. CWA recommends in its UNE Triennial Review, the FCC should revise its unbundling policies to 1) exclude from unbundling elements that competitors now provide in abundance over their own facilities, including circuit switching, dedicated transport, and high-capacity loops; 2) exclude from unbundling broadband networks and other new investments; 3) set a timetable to ease transition period; and 4) pre-empt states' ability to add UNEs to the federal list.

CWA emphasizes the importance of an adequate transition period for those companies serving customers with UNE-P to enable those companies to adjust business plans and to maintain employment for their customer service employees who currently service UNE-P customers.

Sincerely,

Debbie Goldman, Research Economist
Research and Development Department

Attachment

cc: Johnathan Adelstein
Michael Copps
Kathleen Abernathy
Kevin Martin

Unbundling Policies Discourage Investment and Facilitate Job Loss in the Telecommunications Industry
CWA Presentation to Chairman Michael C. Powell
December 10, 2002

I. Job Loss in the Telecom Industry

- Since January of this year, the Bell companies have eliminated more than 32,212 occupational jobs in our bargaining units. This represents 12 percent of the occupational workforce.

- Additional lay-offs have been announced.

- The job cuts are primarily technicians, those who install, repair, maintain, and build the plant. We are just recovering from the service quality problems that resulted from an earlier round of cuts in the mid-1990s. These cuts will re-start the downward spiral.

- Bell company cuts in capital expenditures are hurting equipment manufacturers. Lucent has cut 8,200 CWA jobs, or 40 percent of the workforce.

- By getting it right, FCC can help jumpstart job creation and growth in the telecom industry.

Bell Company Job Loss - 2002	
Company	CWA-Represented Occupational Jobs Lost 2002
SBC	11,893
Verizon	9,721
Qwest	5,691
BellSouth	4,907
Total RBOC	32,212*

*Does not include workers represented by IBEW or management.

II. Bell Companies have cut <u>capital expenditures</u> by $14.8 billion this year (and more cuts expected in fourth quarter)

RBOC Capital Expenditure Cuts 2002 v 2001 (through 3rd quarter)	
SBC	- $3.1 billion (-38%)
Verizon	- $4.4 billion (-35%)
BellSouth	- $5.5 billion (-70%)
Qwest	- $1.9 billion (-39%)
Total RBOC	- $14.8 billion (-45%)

Source: Company 3Q02 Earnings Reports

III. Job Loss and Capital Expenditure Cuts are Responses to Current Unbundling Policies that Discourage Network Investment, Replace Good Union Jobs

- Competitors (mostly AT&T and WorldCom) have sold 8.2 million UNE-P lines. (Source: UBS PaineWebber, Nov. 7, 2002)

- AT&T and WorldCom use UNE-P to cream skim business and high-revenue residential customers without making any investment in telecom facilities. The incumbent is left with the low-revenue customers, whose regulated rates are subsidized. If competitors siphon off the small percentage of retail customers that subsidize those rates, incumbents will not recover the cost of the network.

- Current industry layoffs are in part an attempt to keep profit margins up in face of revenue declines.

- Resale creates some marketing and billing jobs, but it requires no employees to build, maintain or repair facilities. CWA agrees with Chairman Powell that local competition rules must support facilities-based competition to generate investment and jobs.

- UNE-P rules and prices are not serving as transition to facilities-based competition. Competitors boast they can make 45% profit margin from UNE-P. Why invest in new facilities when resale is so lucrative?

IV. Recommendations in UNE Triennial Review

- Change policies to incent network investment by incumbents and competitors—leading to job growth, competition driving lower prices and new services.

- Four policy changes

    a. Exclude from unbundling elements that competitors now provide in abundance over their own facilities, including circuit switching, dedicated transport, and high-capacity loops.

    b. Exclude from unbundling broadband networks and other new investments.

    c. Set a timetable to ease transition period.

    d. Pre-empt states' ability to add UNEs to the federal list.

V. Regulatory Parity

- Cable modems are beating DSL two to one. Broadband is a nascent market characterized by competition. Broadband DSL is new risky investment.

- Need the same rules over cable as over broadband DSL. Remove broadband from UNE pricing regime. Allow wholesale business based on negotiated contracts to flourish.

- At same time, maintain open networks so that content providers have equal access to customer. This will allow innovative applications to drive investment and job creation.

Via Fax

January 13, 2003

The Honorable Jonathan Adelstein
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Dear Commissioner Adelstein:

RE: CC Docket No. 01-338, CC Docket No. 96-98, CC Docket No. 98-147. In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers; Implementation of the Local Competition Provisions of the Telecommunications Act of 1996; Deployment of Wireline Services Offering Advanced Telecommunications Capability.

In 2002, the Bell companies eliminated more than 32,000 occupational union jobs and reduced capital spending by $14.8 billion dollars. We have already been advised by SBC, Verizon, and BellSouth that additional lay-offs will occur in 2003. The FCC must get the UNE-P policies right to encourage investment in job-creating networks. The FCC must also ensure an adequate period for those companies serving customers with UNE-P to make the transition.

The attached fact sheet provides more detail.

Sincerely,

Morton Bahr
President

Attachment

Via Fax

January 13, 2003

The Honorable Michael Copps
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Dear Commissioner Copps:

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President

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The Honorable Kathleen Abernathy
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

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Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

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